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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 08/11/08

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1) Japanese, Chinese leaders agree at summit to do their utmost to settle gyoza dumpling poisoning incident

MAINICHI (Page 2) (Full)
August 9, 2008

Prime Minister Yasuo Fukuda on August 8 prior to the opening ceremony of the Beijing Olympic Games separately held a meeting with Chinese President Hu Jintao and Premier Wen Jiabao for about 40 minutes each. Fukuda and Hu agreed to aim at settling the Chinese-made poisoned dumpling poisoning, regarding which it was revealed that there were reports on poisoning in China as well, at an early date. Hu stated, "We will investigate what really happened, by accelerating investigative cooperation."

Fukuda urged China to provide information, including progress on the investigation, pointing out: "The Japanese people have a strong interest in the poisoned dumpling incidents. I hope that China will

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solve the case as soon as possible. I would like to solicit further cooperation." Meeting the press after the summit, Fukuda told a news conference, "I believe Japan and China will make progress on their effort to unravel the truth."

Referring to a case in which a Japanese reporter was assaulted by a policeman in the Uighur Autonomous Region of China, Fukuda during his meeting with Wen said, "The incident is very regrettable." Wen responded, "We attach importance to what happened. We would like to secure the safety of Japanese reporters." Fukuda also called on China to make improvements on the Tibet issue. Wen indicated the Chinese government's stance of continuing a dialogue with the 14th Dalai Lama. Fukuda will leave Beijing in the early hours of the 9th and attend the Nagasaki Atomic Bomb Victims Memorial Peace Prayer Ceremony to be held in Nagasaki on the morning of the same day.

2) Text of exchanges between Prime Minister Fukuda and China's President Hu Jintao

YOMIURI (Page 4) (Full)
August 9, 2008

Japan-China relations

Prime Minister Fukuda: Congratulations on the Olympics opening ceremony. I am praying for the speedy recovery of Sichuan from the earthquake disaster.

President Hu: I feel deep friendship for Japan as a result of your precious cooperation and assistance after the great Sichuan earthquake. The strategic, mutually beneficial relationship between China and Japan is contributing to the stability of the entire world. It is important that we further deepen ties.

Poisoned dumpling incidents

Fukuda: The concern of the Japanese public is very high. I am hoping for progress in the investigation and a rapid resolution of the issue. I would like to strengthen cooperation to clear up the truth, including the relationship to the poisoning incidents that occurred in China in June. Information disclosure is extremely important.

Hu: We are consistently giving priority to this issue. I would like to put in every effort to resolve it as quickly as possible.

Bilateral relations

Fukuda: We are hoping to move Japan-North Korea relations forward, as well, including the abduction issue. We hope to see China work on that country.

Hu: I wish to see normalization of relations between Japan and North Korea, as well as progress on the nuclear issue at the same time.

Incident of violence against Japanese reporters in the Xinjiang Uighur autonomous region

Fukuda: We regret very much this incident.

Hu: We are giving priority to this incident, and will handle it properly. We welcome Japanese reporters covering the news, and will secure their safety.

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Tibet issue

Fukuda: We hope for leadership to be displayed to correct the situation through dialogue.

Hu: The essence of the problem lies in the issue of (the country's) unified yet split situation. There have been two dialogues with the Dalai Lama's side. The dialogue will continue.

3) Japan-South Korea summit meeting not held due to Takeshima islets issue still remaining

MAINICHI (Page 2) (Excerpts)
August 9, 2008

The Japan-China summit meeting on August 8 served as a venue for both countries to play up friendly bilateral ties, as seen by President Hu Jintao warmly receiving Prime Minister Fukuda, setting their meeting for the day of the opening ceremony of the Beijing Olympic Games. However, this was the only formal summit Fukuda held. A meeting with South Korea's President Lee Myung Bak was not held due to hard feelings left by the Takeshima islets issue. A challenge that Japanese diplomacy is facing has been revealed against the backdrop of the Olympic opening ceremony, in which China demonstrated its vigor as a major power.

President Lee Myung Bak attended the opening ceremony. But not even an attempt to coordinate views or schedules was made in order to set up a bilateral summit. One senior Foreign Ministry official revealed, "Given the state of public opinion in South Korea, the situation does not allow us to hold a summit." The situation is not yet conducive to allow a meeting with a North Korean senior official, either, even though Supreme People's Assembly Presidium Kim Yong Nam attended the opening ceremony. Despite China's favorable treatment, Japan's diplomacy clearly faces a severe reality.

4) In talks to start today, Japan to call on North Korea to determine details about investigation of abductions

MAINICHI (Page 2) (Excerpts)
August 11, 2008

(Furumoto, Shenyang)

Japan and North Korea will hold official working-level talks in Shenyang, China, on Aug. 11-12, with an eye on a resumption of talks by the working group on normalizing bilateral diplomatic relations set up in the six-party talks. The talks will take place after a hiatus of two months since the ones in Beijing in June, in which North Korea agreed to reinvestigate the issue of its past abductions of Japanese nationals.

Japan aims to bring about an agreement to (1) determine specifics, including who should be selected as investigation committee members

and when the reinvestigation should be conducted; and (2) create a mechanism to enable Japan to verify the credibility of the investigation at any time. The talks will also focus on when Japan would partially lift its economic sanctions against North Korea.

Japan is set to approve an independent investigation by North Korea,

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instead of a joint one with Japan. This decision stems from the judgment that even if Japanese police officers join it, the investigation will become limited because they cannot use public authority in North Korea and that the North might cite their participation as an excuse for a limited investigation.

To bring about an effective investigation, Japan will ask the North to have an investigative agency with its authority to undertake the investigation with responsibility and announce the timing of the start and end of the investigation. Japan will also ask the other side to set up an arena for Japan to seek explanations and express its views about the contents of the investigation.

If North Korea accepts these Japanese proposals, Pyongyang will likely to call on Japan to swiftly remove its economic sanctions, but Tokyo has decided to lift sanctions at the time when the North starts reinvestigation, based on the principle of action for action. Japan is also considering the possibility of carrying out the terms of the agreement reached in June step-by-step, in accordance with the contents of North Korea's agreement.

5) Japan may partially lift sanctions if N. Korea reinvestigates abductions: Koumura

TOKYO SHIMBUN (Page 2) (Full)
August 11, 2008

Foreign Minister Masahiko Koumura, appearing yesterday on an NHK TV program, discussed the working-level talks to be held between Japan and North Korea in China's Shenyang from today. He indicated that the Japanese government would lift some of its economic sanctions on North Korea as it had decided at the last round of talks in June to do so. "If they determine how to discover and repatriate survivors (on the issue of Japanese nationals abducted to North Korea), and when we confirm that they have started their reinvestigation, we will then ease the sanctions, though slightly," Koumura said.

Koumura also mentioned his outlook: "We want them to clearly show us how they will reinvestigate the issue to repatriate survivors. We want them to get it started as soon as possible."

Concerning food poisoning from frozen 'gyoza' dumplings made in China, Koumura clarified that he would visit China on Aug. 16-18 to meet with Chinese Foreign Minister Yang Jiechi and ask China to accelerate investigations into the incident.

6) Abduction Minister Nakayama: Sanctions may be lifted if there is new developments

NIKKEI (Page 2) (Full)
August 11, 2008

Appearing on an NHK program yesterday; Kyoko Nakayama, minister in charge of abduction affairs, made this remark regarding a reinvestigation of the abduction issue that North Korea had promised:

"It would be a new development if it becomes clear that North Korean leaders and senior officials would take action to have the remaining Japanese abductees in North Korea returned to Japan. If the situation changes, there would be a possibility of Japan removing sanctions."

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Foreign Minister Masahiko Koumura stressed: "If a concrete

reinvestigation method is decided and if our side agrees to it, we will do what we promised after we confirm the initiation of the reinvestigation."

7) U.S. to put off delisting decision; senior official: "We have not received satisfactory reply"

YOMIURI (Page 2) (Full)
August 11, 2008

(Kurose, Beijing)

In a press conference in Beijing on Aug. 10, Dennis Wilder, a senior official of the White House National Security Council (NSC), announced that the Bush administration will most likely decide to delay implementing its decision to delist North Korea as a state sponsor of terrorism from the initial Aug. 11 deadline. Wilder said: "I think it is reasonable to say that tomorrow will come and go without anything happening."

Wilder said: "The U.S. will continue talks with North Korea" with the aim of reaching an agreement on procedures for verifying the contents of North Korea's declaration on its nuclear development programs. But he added: "We have not received a satisfactory reply yet" from North Korea about a verification plan presented by the U.S.

According to Wilder, U.S. Assistant Secretary of State Christopher Hill, the chief envoy to the six-party talks, is now engaged in consultations with China on the delisting issue in Beijing, timing it with President Bush's visit to China.

8) LDP cautious about extending antiterror law

MAINICHI (Page 2) (Full)
August 11, 2008

Taro Aso, secretary general of the ruling Liberal Democratic Party, and other LDP executives have now turned cautious about extending the new Antiterrorism Special Measures Law at the next extraordinary Diet session to continue the Maritime Self-Defense Force's refueling activities in the Indian Ocean to back up antiterror operations in Afghanistan. Aso's predecessor, former LDP Secretary General Bunmei Ibuki, intended to get a bill through the Diet extending the law even by taking a second vote in the House of Representatives, assuming the bill would be voted down in the opposition-controlled House of Councillors. However, Aso and LDP General Council Chairman Sasagawa intend to prioritize dialogue with the opposition bench and will consider such antiterror assistance measures as tasking the MSDF with escorting tankers instead of refueling activities. Meanwhile, New Komeito, the LDP's coalition partner, is reluctant to extend the law, with an eye on a potential dissolution of the House of Representatives for a general election. Aso and other LDP leaders are therefore believed to be showing consideration for New Komeito and aiming to obtain cooperation from the leading opposition Democratic Party of Japan (Minshuto) on other antiterror backup measures.

Aso met the press after becoming LDP secretary general. In his inaugural press remarks, he stressed: "I don't want to go straight

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away for the option of taking a second vote in the House of Representatives. It's most important to hold inter-party talks." He then proposed: "If the opposition parties are against refueling, we will have to consider such measures as having the Self-Defense Forces escort Japanese oil tankers." Sasagawa also made a similar remark. LDP Election Strategy Council Chairman Makoto Koga, appearing on a TV program aired on Aug. 8, also suggested the need for the LDP to do all it can to talk with the opposition parties about Japan's international contributions other than refueling.

One of the LDP's four top executives explained what Aso meant to say about his proposal of escorting tankers: "Japan is providing free oil while its prices are rising, and the government plans to extend the mission. This alone can't hook up the DPJ like fishing. We

should prepare various ideas and call on the DPJ for talks."

The LDP leadership is now about to switch Ibuki's policy course due in part to New Komeito's reluctance to take a second vote in the House of Representatives. New Komeito anticipates that the House of Representatives would be dissolved later this year or early next year for a general election. The party therefore insists on calling an extraordinary Diet session in late September to shorten it.

However, the government is going to extend the MSDF's Indian Ocean refueling mission in order for Japan to continue its cooperation on the U.S.-led war on terror. However, Chief Cabinet Secretary Nobutaka Machimura is negative about the idea of escorting tankers. "We must think well about whether it can be an international antiterror measure," he said on Aug. 6. One senior official of the Defense Ministry indicated that the idea be unrealistic, saying it could conflict with the constitutional prohibition of Japan from exercising the right of collective self-defense.

9) Early Diet dissolution possibility having an impact on the DPJ presidential election: Momentum building to argument for reelecting incumbent without a vote

NIKKEI (Page 2) (Excerpt)
August 11, 2008

It is a month now until the Democratic Party of Japan (DPJ) will announce on Sept. 8 that it will hold a party presidential election. While those calling for the incumbent Ichiro Ozawa to be supported for a third term are increasing, rival candidates continue to posture. The party is preparing for Diet dissolution and a snap election expected by the end of the year. So in a mood of giving priority to a Lower House election over a party election, the voices of those saying that the party would lose its vitality without a formal election are being drowned out.

10) Prime Minister Fukuda has no plan to visit Yasukuni Shrine on Aug. 15; Forgoes allocating feasibility study money for construction of new national memorial facility

NIKKEI (Page 2) (Excerpts)
August 11, 2008

Prime Minister Yasuo Fukuda has no plan to visit Yasukuni Shrine on August 15, the anniversary of the end of World War II. He also will forgo a plan to allocate funds for a feasibility study on building a new national memorial facility, a project that came up while he was serving as chief cabinet secretary in the government of Prime

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Minister Junichiro Koizumi. He intends to take a somewhat aloof attitude toward the Yasukuni issue in order to prevent it from becoming a political issue. Under the Fukuda cabinet, the Yasukuni issue has disappeared, from the central political stage, although it drew political strong attention in the Koizumi and Abe cabinets.

Fukuda told the press corps on Aug. 5 that he would not visit Yasukuni Shrine: "I will attend a memorial service for the war dead on Aug. 15. I want to pay my respects at the Chidorigafuchi National Cemetery." Among the new cabinet ministers, only Justice Minister Okiharu Yasuoka has stated he will visit Yasukuni Shrine on Aug. 15. Agriculture, Forestry and Fisheries Minister Seiichi Ota said: "I will probably go there."

It is not that Fukuda lacks interest in the annual memorial service for the war dead. He has on Aug. 15 every year paid his respects at the Shinto shrine in Takasaki City, Gunma Prefecture, his hometown, except for the year when he served as chief cabinet secretary. A person close to Fukuda said: "(Fukuda) has privately visited Yasukuni Shrine, thinking that it is not good to visit the shrine along with many other politicians."

Fukuda is only remotely connected to the Japan Association for the Bereaved Families of the War Dead (Izokukai). He took part in only two events held by the association -- one in September 2002 as chief cabinet secretary and the other in November 2007 as prime minister.

During his tenure as chief cabinet secretary, Fukuda headed the government's informal council to consider what kind of a memorial facility Japan should build. The panel in December 2002 issued a report proposing the construction of a new national memorial facility for all the war dead that would not be connected with any religious faith.

However, the government has forgone allocating money for a feasibility study for the construction of a new memorial facility because some Liberal Democratic Party (LDP) lawmakers and the Izokukai have strongly reacted to the idea. Kaoru Yosano, minister of state for economic and fiscal policy, once referred to the possibility of expanding the Chidorigafuchi National Cemetery in order to place there the ashes of foreigners who died in World War II. However, nothing specific has ever happened.

11) Izokukai Chairman Makoto Koga says in interview, "Discussion to remove enshrined Class-A war criminals from Yasukuni Shrine unavoidable"

NIKKEI (Page 2) (Full)
August 11, 2008

-- How does the Japan Association for the Bereaved Families of the War Dead think about how Yasukuni Shrine should be?

Makoto Koga: For the bereaved families of the war dead, Yasukuni Shrine is the only memorial facility in our country. But it is extremely regrettable that all the Japanese do not think that Yasukuni Shrine is a facility to pay respects for their ancestors and pray for peace. We have studied how we should go about in order to have all the people pay their respects at the shrine. It is not good that Yasukuni Shrine remains as is.

-- Do you think the argument to remove the enshrined Class-A war

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criminals from Yasukuni Shrine will become an issue?

Koga: I don't think so because the Izokukai has been discussing it. However, a view calling for separating the Class-A war criminals from Yasukuni will probably come up. I think we will need to discuss it. We cannot avoid it and we must not avoid it.

12) Negative growth in GDP for April-June quarter expected, according to projection by private research centers

YOMIURI (Page 2) (Full)
August 11, 2008

The likelihood is now that the gross domestic product (GDP) in the April-June quarter to be released by the Cabinet Office on August 13 will move into the negative territory in real terms, which exclude fluctuations in prices. This is due to a sharp fall in exports and consumption.

All major private research centers have projected negative growth in GDP, compared with the previous quarter. The average number predicted by the seven research centers is a negative 0.7 PERCENT or a 2.8 PERCENT drop in annual terms, compared with the previous quarter.

Regarding exports, which had been robust up until the previous term, all seven research centers predicted negative growth in comparison with the previous term. The average number is a negative 2.7 PERCENT. It would be the first drop in about three years since the January-March quarter in 2005, if it turns out that exports in that quarter have actually declined into the negative territory.

Projection of GDP growth in real terms for April-June quarter 2008 by private research centers

Dai-ichi Life Research Institute -0.8 (-3.2)
Mitsubishi Research Institute -0.7 (-2.9)

Daiwa Institute of Research -0.6 (-2.4)
NLI Research Institute -0.7 (-2.9)
Nomura Securities Financial and Economic Research Institute -0.6
(-2.5)
Mizuho Research Institute -0.8 (-3.1)
Japan Research Institute -0.6 (-2.6)
Average figure -0.7 (-2.8)
Track record in January-March quarter 1.0 (4.0)

PERCENT growth rate in comparison with the previous term. Figures in parentheses are annual growth rates compared with the previous term.

13) Consumers "noisy" about food safety: Ota

TOKYO SHIMBUN (Page 2) (Abridged)
August 11, 2008

Agriculture Minister Seiichi Ota, appearing on an NHK TV talk show aired yesterday, said Japan is "particular about cleanliness" when it comes to food safety. "So," Ota went on, "there's no need to worry about domestic food products." He added, "If people as consumers noisily say this and that, then we have to answer them."

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In the wake of disguising or mislabeling food products and food poisoning from frozen 'gyoza' dumplings made in China, Prime Minister Fukuda set forth his initiative to create a consumer agency and appealed on ensuring food safety. However, the opposition parties are strongly opposed to the idea of creating a consumer agency. One opposition party lawmaker noted, "The public is bothersome, so he will create a consumer agency. That's what he means."

Asked about food safety in the show, Ota stressed: "Japan is different from a country where it's all right to cover up anything troublesome like China, which is a socialist country, and Japan is also different from a country where it's all right to give no thought to consumers."

Ota specified the traceability of information about food production and distribution as well as food sanitation control called HACCP, short for hazard analysis and critical point. In this regard, Ota said, "Japan is safe." "But," he also said, "consumers are noisy, so we will do it in an even more thoroughgoing way."

SCHIEFFER